

Message Text

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PAGE 01 STATE 188409
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
NSC-05 /056 R

DRAFTED BY EB/OA/AVP:GGRIFITHS:SP
APPROVED BY EB/OA/AVP:AJWHITE
EUR/NE:DGOODMAN
CAB:JKISER

-----067764 261809Z /44

R 261617Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: EAIR, EN

SUBJECT: CIVAIR: HONG KONG CURRENCY PROBLEM

1. BRITISH EMBASSY HAS DELIVERED DIPLOMATIC NOTE DATED
JULY 24 CONCERNING THE HONG KONG SELLING RATE FOR AIR
TRAVEL BETWEEN THE US AND HONG KONG. TEXT OF NOTE FOLLOWS:

QUOTE: COMPLIMENTS AND HAS THE HONOUR TO REFER TO THE
LETTER FROM MR. J. ATWOOD TO MR. W.P. SHOVELTON DATED
14 APRIL 1978 CONCERNING THE HONG KONG SELLING RATE FOR
AIR TRANSPORT BETWEEN HONG KONG AND THE UNITED STATES.

HER MAJESTY'S GOVERNMENT HAVE LOOKED AT THIS MATTER AGAIN
IN THE LIGHT OF THE VIEWS EXPRESSED IN THAT LETTER BUT THEY
ARE UNABLE TO ACCEPT THAT THERE IS "NO DISCRIMINATION
AGAINST PASSENGERS PAYING IN THE LOCAL CURRENCY". THE
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STATEMENT OVERLOOKS THOSE FILINGS MADE BY US AIRLINES WHICH
ALLOW PASSENGERS BUYING TICKETS IN HONG KONG TO PAY THE
US DOLLAR PRICE AS SPECIFIED IN THE USA. FOR EXAMPLE, A
PASSENGER CAN PAY 656 US DOLLARS FOR TRAVEL AT THE ECONOMY
FARE IN EITHER DIRECTION BETWEEN HONG KONG AND SAN
FRANCISCO BUT MUST PAY MORE THAN THE EQUIVALENT VALUE IN
HONG KONG DOLLARS AT MARKET RATES IF HE WISHES TO PURCHASE

A HONG KONG ORIGINATING TICKET WITH LOCAL CURRENCY. (THE FARE IN HONG KONG DOLLARS IS, IN FACT, HONG KONG DOLLARS 3662, A CONVERSION RATE OF HONG KONG DOLLARS 5582 DOLLARS US 1. AT THE MARKET RATE OF DOLLARS HONG KONG 4597 THE FARE WOULD BE DOLLARS HONG KONG 3016).

HER MAJESTY'S GOVERNMENT CANNOT ACCEPT IN PRINCIPLE THAT THERE SHOULD CONTINUE TO BE A DIFFERENCE BETWEEN THE LEVELS OF HONG KONG-ORIGINATING AND US-ORIGINATING FARES SOLD IN THE LOCAL CURRENCY PURELY BECAUSE OF THE DIFFERENCE BETWEEN THE ARTIFICIAL RATE OF EXCHANGE AND THE PREVAILING MARKET RATES FOR CONVERSION FROM US DOLLARS TO HONG KONG DOLLARS. HER MAJESTY'S GOVERNMENT HAVE TAKEN STEPS, AFTER CONSIDERATION OF THE ARGUMENTS MADE BY THE US GOVERNMENT, TO CORRECT A SIMILAR IMBALANCE ON THE NORTH ATLANTIC AND, IN ACCORDANCE WITH THE EXCHANGE OF LETTERS BETWEEN AMBASSADOR BOYD AND MR. W.P. SHOVELTON OF 23 JULY 1977, THEY CONFIDENTLY LOOK FORWARD TO THE UNITED STATES AUTHORITIES TAKING ACTION WITH REGARD TO HONG KONG'S PROBLEMS. UNQUOTE

2. SITUATION SEEMS NOW TO BE ONE WHERE US AND UK DISAGREE AS TO FACTS OF THE MATTER. OUR INFORMATION, WHICH WE ARE RECHECKING, INDICATES THAT IF PASSENGERS ORIGINATING IN HONG KONG WISH TO PAY IN US DOLLARS, LIMITED OFFICIAL USE

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CONVERSION FROM THE HONG KONG DOLLAR LEVEL IS TO TAKE PLACE AT THE LOCAL MARKET RATE OF EXCHANGE. BRITISH NOTE, ON OTHER HAND, ALLEGES THAT US AIRLINES FILINGS "ALLOW PASSENGERS BUYING TICKETS IN HONG KONG TO PAY THE US DOLLAR PRICE AS SPECIFIED IN THE USA."

3. ACTION REQUESTED: WE WILL RECHECK US AIRLINES' FILINGS WITH CAB RE THIS MATTER. AT SAME TIME, EMBASSY REQUESTED TO CHECK US AIRLINES' FILINGS WITH CAA (PAN AM AND NORTHWEST FOR SCHEDULED SERVICE TO HONG KONG) TO ASCERTAIN HOW THESE FILINGS DEAL WITH HONG KONG CURRENCY CONVERSION. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC NOTES, AIR FARES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE188409
Document Source: CORE
Document Unique ID: 00
Drafter: GGRIFFITHS:SP
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780306-1013
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780718/aaaaaoxr.tel
Line Count: 106
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 45f5576c-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1878486
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: HONG KONG CURRENCY PROBLEM
TAGS: EAIR
To: LONDON
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/45f5576c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014